GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1086
ANSWERED ON:23.11.2007
INFLATION
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Will the Minister of FINANCE be pleased to state:

(a) whether the inflation rate based on the Consumer Price Index (CPI) continue to remain higher than the Wholesale Price Index despite the inflation rate coming down in the recent months;

(b) if so, the reasons therefor with the monthly variations of inflation during 2007 so far;

(c) whether the rate of inflation in developed and developing countries is higher than that of India;

(d) if so, the details thereof;

(e) whether the RBI has taken certain measures to check the rise in CP) and inflation;

(f) if so, the details thereof;

(g) whether Government proposes to increase the prices of petrol and gas;

(h) if so, its likely impact on inflation; and

(i) the other steps taken/being taken by the Government to curb the rising trend in CPI and rate of inflation?

Answer

MINISTER OF STATE FOR FINANCE(SHRI PAWAN KUMAR BANSAL)

(a) Yes, Sir.

(b) The inflation rate based on CP1-1W remained higher than WPI from November 2005.The food items have higher weights(46 per cent) in CPI-IW than in WPI (27 per cent). This greater importance of the food group togetlier with the higher rate of inflation in the food group has resulted in CPI inflation being higher than WPI inflation.Monthly inflation is indicated in the Table 1.

Table 1. WPI and CTMW based inflation (%)

2007	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
WPI	6.4	6.4	6.6	6.3	5.5	4.5	4.7	4.1	3.3	3.0
CP1-IW	6.7	7.6	6.7	6.7	6.6	5.7	6.5	7.3	6.4	-

(c)&(d) CPI based inflation rates in India vis-a-vis Advanced and Developing countries as is indicated in the Table 2.

Table 2. CPI based inflation in India vis-a-vis Advanced and Developing Countries (%)

Year	India	Advanced Countries	Developing Countries
2001	3.9	2.1	6.5

2002 4.1 1.5 5.7

2003 4.0 1.8 5.7

2004 3.6 2.0 5.4

2005 4.3 2.3 5.2

2006 6.2 2.3 5.1

Jul-07 6.5 1.9 5.6

(e)to(i) There is no proposal as of now with the Government, to increase the domestic petroleum prices. Stability in petroleum prices at the February 2007 level has contributed to a lower head line inflation. The inflation has moderated in the recent months due to supply side improvements in some essential items like wheat and sugar; strengthening of the rupee leading to a decline in rupee prices of imported goods; monetary and fiscal measures initiated by RBI and Government;and administrative measures including import of commodities like wheat and pulses through the public sector agencies.